



JENNIFER M. GRANHOLM  
GOVERNOR

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LANSING

JOHN D. CHERRY, JR.  
LT. GOVERNOR

November 8, 2005

Honorable Ted Stevens, Chairman  
Committee on Commerce  
United States Senate  
Washington, DC 20510

Honorable Pete Domenici, Chairman  
Committee on Energy and Natural  
Resources  
United States Senate  
Washington, DC 20510

Honorable Daniel K. Inouye  
Ranking Member  
Committee on Commerce  
United States Senate  
Washington, DC 20510

Honorable Jeff Bingaman  
Ranking Member  
Committee on Energy and Natural  
Resources  
United States Senate  
Washington, DC 20510

Dear Gentlemen:

I am writing to commend your Senate committees for holding a joint hearing tomorrow on energy prices and profits.

In September, I – along with several of my fellow governors – called on President Bush to act decisively in preventing oil companies from raking in profits at the expense of American consumers as prices rapidly escalated before and after the Gulf Coast hurricanes. We urged swift federal action to limit excessive corporate oil profits and strictly prosecute any violation of federal anti-trust laws, and take all other possible actions to protect Americans against profiteering. We also urged Congress to immediately begin an investigation into excessive oil company profits, and to consider legislation that would return excessive profits to consumers victimized by price gouging.

Unfortunately, the federal administration took no such action and the American people have paid a high price. Two weeks ago, ExxonMobil, the world's largest oil company, reported third quarter profits grew 75 percent to almost \$10 billion.

As the *Washington Post* points out "...the \$9.92 billion profit earned by Exxon Mobil Corp. in just three months is almost unimaginable. It would cover all Social Security benefit payments for three months. It would pay for an Ivy League education for about 60,000 kids. It would pay the average list price for more than 160 Boeing 737s. It would fund the military operations in Iraq and Afghanistan for more than two months."<sup>1</sup>

Exxon wasn't alone. British Petroleum and ConocoPhillips, the world's second and third largest oil companies, reported record profits: British Petroleum reported quarterly profits grew 34 percent to more than \$6.5 billion; and, ConocoPhillips reported its quarterly profits grew 89 percent, to \$3.8 billion. In 2004 alone, the five largest oil companies together made more than \$80 billion in profits - about \$800 for every household in America.

As gasoline prices recede from these record levels and oil companies pile their gains, I urge Congressional consideration of legislation to compel the use of a portion of these gains for consumers' benefit. Bipartisan proposals in the Senate have included discussion of means to apply a portion of oil companies' windfall profits for low-income energy assistance.

When free markets operate efficiently, profits represent the fair return for effective delivery of goods and services. However, where consumers are victimized by a failure of market forces to deliver a fair price, governmental intervention is needed, and I hope these hearings will focus on the source of American consumers' and businesses' added costs as well as an enforceable and effective federal remedy to assure that gougers are punished and consumers are protected.

Sincerely,



Jennifer M. Granholm  
Governor

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<sup>1</sup> Friday, October 28, 2005;